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Message Text

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15
ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 H-01 PA-01 PRS-01 USIA-06 TAR-01 /078 W
---------- 120888
R 200609Z DEC 74
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 4706
INFO AMEMBASSY WELLINGTON
AMEMBASSY TOKYO
AMCONSUL MELBOURNE
AMCONSUL SYDNEY
AMCONSUL PERTH
AMCONSUL BRISBANE

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E.O. 11652: N/A
TAGS: EIND, ETRD, ELAB, EALR, AS
SUBJ: GENERAL MOTORS HOLDEN LAYOFF

REF: (A) MELBOURNE 1511
(B) MELBOURNE 1520
(C) CANBERRA 7528

1. REFS (A) AND (B) SUMMARIZE AUSTRALIAN POLITICAL AND LABOR REACTION TO GENERAL MOTORS HOLDEN (GMH) ANNOUNCEMENT THAT MARKET FORECASTS INDICATE SUBSTANTIAL CUTBACK IN PAYROLL PROBABLY NECESSARY JANUARY 1975.

2. THESE REACTIONS COMPOUNDED OF USUAL TENDENCY TO CRITICIZE MULTINATIONALS. GOA EMBARRASSMENT OVER PROSPECT OF FURTHER UNEMPLOYMENT INCREASES, GENUINE DISTRESS OF THREATENED WORKERS, AND OFFICIAL ANNOYANCE AT GMH
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PUBLIC STATEMENTS DECLARING NEED FOR LIMITING IMPORTS

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TO 10 PERCENT MARKET SHARE SO SOON AFTER EXHAUSTIVE
INDUSTRY-GOVERNMENT DISCUSSIONS WHICH PRODUCED
RECENT AUTOMOBILE INDUSTRY PACKAGE BASED ON 20 PERCENT
IMPORT SHARE (REF (C)).

3. GM HOLDEN PROBLEM, SHARED BY OTHER DOMESTIC
AUTOMOBILE PRODUCERS, IS ONE OF NEED TO ADJUST PRODUCTION
LEVELS TO HEAVY INVENTORIES AND SLOW DEMAND FOR DOMESTIC
AUTOMOBILES. AUSTRALIAN INDUSTRY FACES COMBINED PROBLEM
OF DOMESTIC BUYING RECESSION AND GROWING CONSUMER PREFER-
ENCE FOR SMALL COMPETING IMPORTS. IN PART THIS REFLECTS
PROBLEM FACED BY NUMEROUS NATIONAL AUTOMOTIVE INDUSTRIES
OF BEING UNPREPARED FOR SUDDEN PUBLIC SWING TO SMALL
ECONOMY VEHICLES. BUT THIS CARE ALSO DRAMATICALLY
REFLECTS HOW MUCH OF AUSTRALIAN INDUSTRY IS ONLY MODESTLY COMPETIT-
IVE EVEN WITH TRADITIONALLY HIGH TARIFF PROTECTION AND HOW IN
PAST TWO YEARS EXPLOSIVE AUSTRALIAN WAGE INFLATION HAS
PRICED INDUSTRY OUT OF ITS DOMESTIC AS WELL AS EXPORT
MARKETS.

4. RECENT INDUSTRIES ASSISTANCE COMMISSION (IAC)
PROPOSAL FOR FUNDAMENTAL RESTRUCTURING OF DOMESTIC
AUTO INDUSTRY RECOGNIZED THAT MUCH OF DOMESTIC MOTOR
INDUSTRY NOT VIABLE WITHOUT EXCESSIVE PROTECTION.
IAC PROPOSED ESSENTIALLY RESTRUCTURING AND GRADUAL
CONTRACTION OF INDUSTRY WITH INCREASED RELIANCE ON
IMPORTS FOR SMALLER VEHICLES. IRONICALLY IAC PROPOSALS
ARRIVED JUST AS GENERAL AUSTRALIAN ECONOMIC DECLINE
PRECLUDED POLITICAL ACCEPTABILITY OF SUCH RESTRUCTURING.

5. GOVERNMENT ANTOGONISM TOWARD GENERAL MOTORS HOLDEN
MOVE REFLECTS DISPOSITION TO MAKE SCAPEGOATS OF MULTI-
NATIONALS IN ADVERSITY. BUT IT ALSO GROWS OUT OF
(A) RESISTANCE TO IMPLICIT GMH PRESSURE FOR FURTHER
RESTRICTION OF IMPORTS AND (B) DESIRE TO FORCE INDUSTRY
TO FINANCE UNEMPLOYMENT BENEFITS AND AVOID ACCEPTING
SUBSTANTIAL ADDITIONAL CHARGE TO GOA UNEMPLOYMENT
INCOME PROGRAM FOR WHICH EMPLOYEES ARE ELIGIBLE IF
ACKNOWLEDGED TO BE DISPLACED BY IMPORT COMPETITION.

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6. ON BASIS FACTS RECORDED TO DATE OUR ASSESSMENT OF
GMH ROLE DIFFERS SOMEWHAT FROM THAT IN REF (B). IN
SITUATION AT BEST UNHAPPY, GMH, WITH HEAVY INVENTORY
OF UNSOLD CARS AND PROJECTING DEMAND SOFTENING
APPEARS TO HAVE REASONABLE CASE FOR VISUALIZING
PROBABILITY OF JANUARY LAY-OFFS. ADVANCE NOTICE JUST
BEFORE CHRISTMAS INEVITABLY CRITICIZED, BUT DELAYED
ANNOUNCEMENT UNTIL AFTER CHRISTMAS SESSION WOULD

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UNDOUBTEDLY HAVE ELICITED EQUALLY BITTER CRITICISM FOR
MISLEADING EMPLOYEES. GMH VIEWS RE REDUCTION IN IMPORTS
FROM 20 PERCENT TO 10 PERCENT OF MARKET APPEAR
MORE QUESTIONABLE. GIVEN NATURE OF UNDERLYING PROBLEM,
WHILE ANY REDUCTION TEMPORARILY HELPFUL, THIS MOVE
UNLIKELY TO SOLVE INDUSTRY'S BASIC DIFFICULTY. DEMANDS
FOR UNILATERAL RETROACTIVE IMPOSITION OF US-TYPE ONE-
YEAR UNEMPLOYMENT WAGE SCHEME, WITHOUT REGARD TO BALANCE
OF AUSTRALIAN AUTO OR OTHER INDUSTRIAL LABOR
PACKAGES, APPEARS AS UNREALISTIC AS IT IS UNREASONABLE.

7. WHILE IT IS CORRECT THAT MANY ASPECTS OF GMH PRESENT
POSITION VIS-A-VIS GOVERNMENT, LABOR AND PUBLIC UNFAVORABLE,
IT APPEARS ARGUABLE WHETHER ANY ALTERNATIVE TACTICS,
PROVIDED THEY STILL ENTAILED ACHIEVING PRIMARY OBJECTIVE
OF REDUCING PAYROLL, WOULD HAVE GUARANTEED A MORE
FAVORABLE POSTURE.
GREEN

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Draft Date: 20 DEC 1974
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Disposition Approved on Date:
Disposition Authority: CunninFX
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